

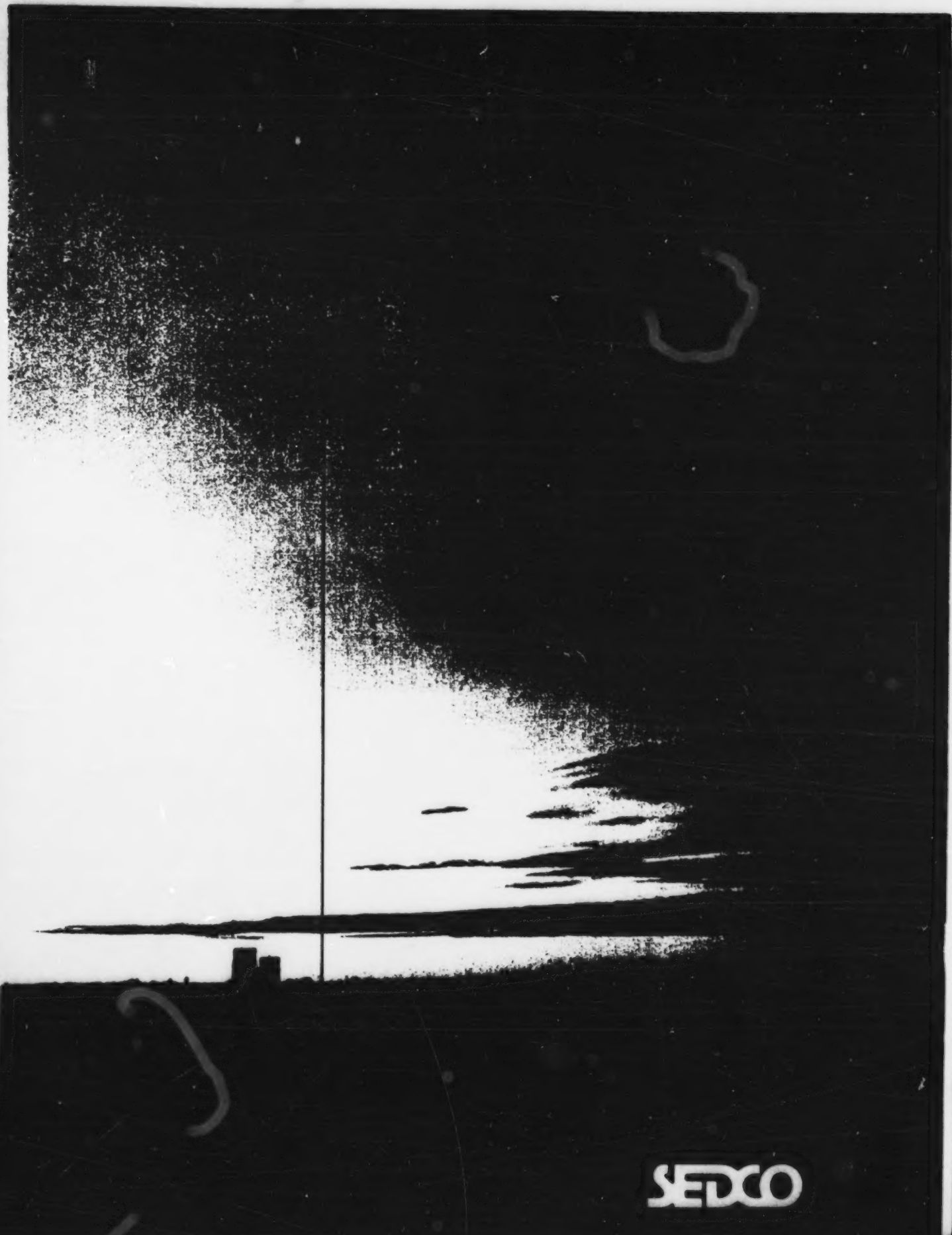
# Annual Report 1985

Saskatchewan Economic  
Development Corporation

SEDCO

## Contents

|                                                     |    |
|-----------------------------------------------------|----|
| Corporate Profile .....                             | 1  |
| Letter of Transmittal .....                         | 2  |
| Chairman's Message .....                            | 3  |
| President's Report .....                            | 4  |
| Board of Directors .....                            | 5  |
| Activity Highlights .....                           | 6  |
| Auditor's Report .....                              | 7  |
| Statement of Financial<br>Position .....            | 8  |
| Statement of Operations<br>and Deficit .....        | 9  |
| Statement of Changes in<br>Financial Position ..... | 10 |
| Notes to Financial<br>Statement .....               | 11 |
| SEDCO Offices .....                                 | 15 |



SEDO

# Letter of Transmittal



March 15, 1986

To His Honour,  
The Honourable Frederick W. Johnson  
Lieutenant-Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the Annual Report of the Saskatchewan Economic Development Corporation for the year ended December 31, 1985, including the financial statements in the form required by the Treasury Board and duly certified by the Provincial Auditor in accordance with the Industrial Development Act.

I have the honour to be, Sir,

Your obedient servant,

A handwritten signature in dark ink, appearing to read "Bob Andrew". The signature is fluid and cursive, with a large initial "B" and a long, sweeping underline.

Hon. Bob Andrew  
Minister of Economic Development & Trade,  
Minister Responsible,  
Saskatchewan Economic Development Corporation

# Chairman's Message



SEDCO does not seek to make large profits. Its role is to provide the catalyst that will get new business or industry going, or to revitalize one that needs it. Profits to the Corporation are best stated in terms of new or increased economic activity. SEDCO's bottom line is jobs for Saskatchewan people.

By making available to entrepreneurs some of the combined borrowing power of the people of Saskatchewan, we have created more than 200 direct jobs in 1985 and many more indirectly.

We have launched the Youth Entrepreneur Program which has helped to bridge the gap between the ambition and imagination of our young people and the conservatism of their bankers.

We agreed to provide financing for the manufacture by Westank-Willock of 90 ore-hauling trucks for a mine in the Yukon.

We helped to bring capital from Hong Kong to a Saskatchewan industry that makes street sweepers for North American cities.

The enclosed report will show that the improved economic climate has enabled SEDCO to reverse the trend of previous years when serious losses were incurred through client business failures. In 1985, in a financial climate where many lending institutions were having a difficult year, SEDCO's list of problem accounts has been sharply reduced.

As Chairman of the Board, I express sincere appreciation to the directors and to SEDCO's management and staff for their

sound advice, their initiative and their commitment. Jack Klein showed great dedication and energy in the work he did as Minister responsible for SEDCO from July, 1983 through to December, 1985. We look forward to working with our new Minister, Hon. Bob Andrew.

It was a productive year, and 1986 promises increased activity and improved financial performance.

A handwritten signature in dark ink, appearing to read "Larry A. Kyle". The signature is fluid and cursive, written over a light background.

Larry A. Kyle, Q.C.  
Chairman of the Board

# President's Report



The optimism expressed in closing the 1984 President's Report has proven well founded. Significant steps were made in 1985 toward our stated goal of attaining an improved financial position.

While our major objective as an economic development corporation is to expand opportunities for business and create jobs, it is also essential that we operate within competitive industry standards.

With those targets in mind, we focused our attention on four important initiatives which contributed to a turn around in our financial results in 1985 and which we expect will generate continuing returns in 1986 and thereafter.

These initiatives were to:

- reduce non-productive assets
- reduce bad debt expenses
- reduce property holdings
- improve services to expand our revenue base

The result was a turn-around year marked by increased activity in all areas of operation as we created business and employment opportunities for Saskatchewan's young entrepreneurs, financed significant new client projects, and expanded research space facilities.

We developed the Youth Entrepreneur Program during 1985 to help Saskatchewan's young people obtain the financial assistance they needed to start up new businesses in the province.

Dramatically, the number of loans approved in 1985 increased by 148 percent over 1984. While major additions were made to our loan portfolio,

by far the majority of our clients continued to be small businesses operating a wide variety of enterprises throughout the province.

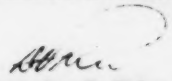
Real estate activities showed an increase in 1985. Rental revenue and property sales saw a modest growth. Two new malls for research and development projects were initiated at Innovation Place in Saskatoon.

Early in 1985, SEDCO embarked on an all-encompassing, aggressive budgetary control program. Maintaining strict control of all operating and other overhead items led to reductions in administrative costs. Further progress along these lines remains a priority for the Corporation.

As a result of these activities and efforts, we reduced the loss at year-end to \$562,000 from the 1984 operating loss of \$8.8 million.

All in all, performance for 1985 was certainly more promising than 1984, and 1986 will be better.

Our success in 1985 was achieved through a clear focus on our client needs, tight cost controls, and superior efforts from our personnel. We feel that we now have an organization that is geared to achieve results, and we know we can continue to make things happen in economic development and job creation for Saskatchewan.

  
Douglas S. Price  
President and  
Chief Executive Officer

---

## Board of Directors



**Larry A. Kyle Q.C.**  
Chairman, Regina



**Hon. Bob Andrew**  
Vice-Chairman,  
Regina



**Ian Disbery**  
Secretary, Regina



**James H. Coventry**  
Nipawin



**Laurianne A.  
Dellabough**  
Moose Jaw



**Brian J. Keple**  
Regina



**Doug R. Osborne**  
Regina

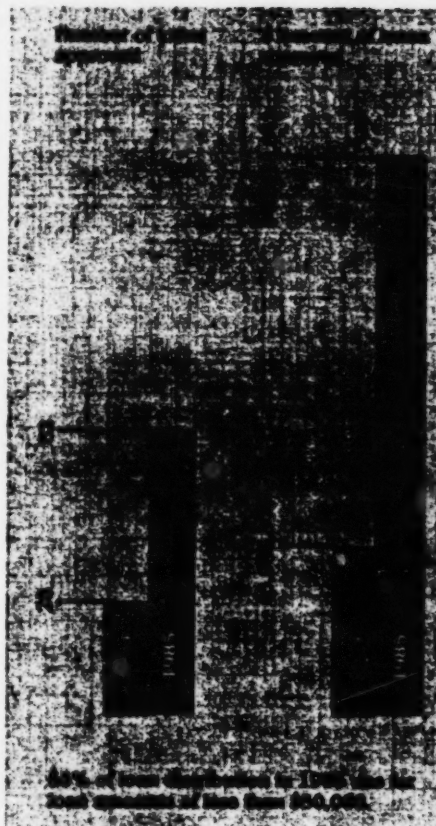


**J. Ross Reibling**  
Regina



**Madelene M. Smith**  
Saskatoon

# Activity Highlights



More aggressive marketing and increased operating efficiency were among significant factors leading to a better year for SEDCO in 1985.

Revenue from all sources was \$17.6 million in 1985 compared to \$17.2 the previous year.

Aggressive debt management and strict controls reduced operating expenses to \$17.7 million, down \$1.3 million from 1984.

The corporation sustained a net loss of \$562,000 — a significant improvement over the \$8.8 million loss in 1984.

## Loans and Investments

In May 1985, SEDCO introduced the Youth Entrepreneur Program to help Saskatchewan's young entrepreneurs start up business enterprises. The program resulted in establishment of 18 businesses, involving loans totalling \$160,000 and 32 new, permanent jobs. Due to the success of this program, SEDCO added it to the list of services offered for 1986.

Loan activity increased significantly in 1985 with 67 loan approvals for a total dollar value of slightly over \$40 million. This compares with 28 loans and guarantees approved in 1984 totalling \$4.0 million.

There was a significant reduction in non-productive assets during 1985, mainly through sales of assets, renegotiation of regular loan payments from clients who had defaulted, and restructuring loan contracts with clients experiencing temporary financial setbacks.

By working with clients to reduce delinquent accounts and

through finding ways to revitalize failing businesses, SEDCO realized a significant reduction in bad debt expense from \$5 million in 1984 to a net recovery of \$223,000 in 1985.

Lower lending rates and a \$9 million decrease in the loan portfolio due to client payouts (higher than anticipated) resulted in decreased revenue from loans and investments.

## Properties

Real estate activities generated \$4.8 million in income compared to \$4.1 million in 1984. Rental income increased moderately and the gain from property sales was \$435,000, compared to a \$76,000 loss in 1984. Eighteen sales totalled \$5.5 million and were distributed widely throughout the province, indicating that a resurgence in all parts of the economy is steadily developing.

Significant land sales were made in Grayson Industrial Park in Moose Jaw resulting in new facilities and employment opportunities. Development at Innovation Place and AgriPlace in Saskatoon continued as scheduled.

## Provincial Economic Benefits

SEDCO's impact on the provincial economy continued to be considerable. Conservatively estimated, Corporation activities in 1985 alone resulted in the creation of more than 220 direct jobs with an estimated wage value approaching \$5,000,000. Considering spin-off or multiplier effects along with the benefits from providing rental properties, the true impact of the Corporation's activities are much greater.

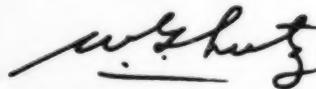
# Auditor's Report

To the Members of the  
Legislative Assembly  
Province of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Economic Development Corporation as at December 31, 1985 and the statements of operations and deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Saskatchewan Economic Development Corporation as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan  
February 14, 1986.



W.G. Lutz, F.C.A.  
Provincial Auditor.

# Statement of Financial Position

As at December 31

|                                                | 1985             | 1984             |
|------------------------------------------------|------------------|------------------|
|                                                | (In thousands)   |                  |
| <b>Assets</b>                                  |                  |                  |
| Loans - net (Note 3) .....                     | \$ 97,037        | \$103,677        |
| Share investments (Note 4) .....               | 4,477            | 3,643            |
| Property holdings (Note 5) .....               | 47,677           | 46,938           |
| Other .....                                    | 577              | 491              |
|                                                | <u>\$149,768</u> | <u>\$154,749</u> |
| <b>Liabilities and Province's Equity</b>       |                  |                  |
| Net bank indebtedness .....                    | \$ 568           | \$ 867           |
| Accounts payable and accrued liabilities ..... | 1,999            | 4,619            |
| Notes payable (Note 6) .....                   | 45,000           | 2,000            |
| Long term debt (Note 6) .....                  | 89,647           | 134,147          |
|                                                | <u>137,214</u>   | <u>141,633</u>   |
| <b>Province of Saskatchewan's Equity</b>       |                  |                  |
| Advances (Note 7) .....                        | \$ 28,702        | \$ 28,702        |
| Contributed surplus (Note 8) .....             | 158              | 158              |
| Deficit .....                                  | (16,306)         | (15,744)         |
|                                                | <u>12,554</u>    | <u>13,116</u>    |
|                                                | <u>\$149,768</u> | <u>\$154,749</u> |

(See accompanying notes)

# Statement of Operations and Deficit

Year Ended December 31

|                                                                  | 1985              | 1984              |
|------------------------------------------------------------------|-------------------|-------------------|
|                                                                  | (In thousands)    |                   |
| <b>Revenue</b>                                                   |                   |                   |
| Revenue from loans<br>and investments .....                      | \$ 12,831         | \$ 13,144         |
| Revenue from properties<br>(Note 9) .....                        | 4,789             | 4,099             |
|                                                                  | 17,620            | 17,243            |
| <b>Expenses</b>                                                  |                   |                   |
| Interest .....                                                   | 12,479            | 13,516            |
| Rental property expenses .....                                   | 2,004             | 1,983             |
| General corporate expenses .....                                 | 3,247             | 3,553             |
|                                                                  | 17,730            | 19,052            |
| Loss before the under-noted items ...                            | 110               | 1,809             |
| Bad debt expense (recovery) .....                                | (223)             | 2,961             |
| Write-down of property to<br>net realizable value .....          | 315               | 3,320             |
| Write-down of share investments<br>to net realizable value ..... | 360               | 791               |
| <b>Loss for year</b>                                             | (562)             | (8,881)           |
| Deficit beginning of year                                        | (15,744)          | (6,863)           |
| <b>Deficit end of year</b>                                       | <b>\$(16,306)</b> | <b>\$(15,744)</b> |

(See accompanying notes)

# Statement of Changes in Financial Position

Year Ended December 31

|                                                                             | 1985            | 1984            |
|-----------------------------------------------------------------------------|-----------------|-----------------|
|                                                                             | (In thousands)  |                 |
| <b>Cash Used in Operating Activities</b>                                    |                 |                 |
| Loss for the Year .....                                                     | \$( 562)        | \$(8,881)       |
| Add: Charges to operations not requiring cash payment                       |                 |                 |
| Depreciation .....                                                          | 612             | 591             |
| Bad Debt expense (recovery) ..                                              | (223)           | 2,961           |
| Write-down of property values ..                                            | 315             | 3,320           |
| Write-down of share values .....                                            | 360             | 791             |
|                                                                             | 502             | (1,218)         |
| Net change in non-cash working capital balances related to operations ..... | (2,706)         | 785             |
| <b>Cash used in operating activities .....</b>                              | <b>(2,204)</b>  | <b>(433)</b>    |
| <b>Cash Provided by (used in) Investment Activities</b>                     |                 |                 |
| Additions to property holdings ...                                          | (4,021)         | (3,889)         |
| Proceeds from disposal of property .....                                    | 4,900           | 1,336           |
| Loan disbursements .....                                                    | (11,391)        | (8,154)         |
| Loan repayments .....                                                       | 14,509          | 11,009          |
| Share investments acquired .....                                            | (47)            | (791)           |
| Share investments sold .....                                                | 53              | 26              |
| <b>Cash provided by investment activities .....</b>                         | <b>4,003</b>    | <b>(463)</b>    |
| <b>Cash used in Financing Activities</b>                                    |                 |                 |
| Repayment of long term debt .....                                           | (44,500)        | —               |
| Additions to short term debt .....                                          | 43,000          | —               |
| <b>Cash used in financing activities .....</b>                              | <b>(1,500)</b>  | <b>—</b>        |
| <b>Net Increase (Decrease) in Cash During Year</b>                          | <b>299</b>      | <b>(896)</b>    |
| <b>Cash position at beginning of year</b>                                   | <b>(867)</b>    | <b>29</b>       |
| <b>Cash Position at End of Year</b>                                         | <b>\$( 568)</b> | <b>\$( 867)</b> |

(See accompanying notes)

# Notes to Financial Statements

December 31, 1985

## 1. Significant Accounting Policies

### a) REVENUE FROM LEASING OPERATIONS

As lessor, where the Corporation transfers substantially all of the benefits and risks incident to the ownership of the property, plant and equipment to the lessee, the lease is classified as a sales-type lease or direct financing lease. At the inception of these leases the difference between the fair value and carrying value of the lease asset is recognized as income (or loss). The present value of future minimum lease payments is recorded as the net investment in leases. When lease payments are received, a portion is applied against the net investment with the remainder recognized as financing income. All other leases are classified as operating leases and lease payments are recorded as income.

### b) ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts in arrears are reviewed on a regular basis by management. Where a potential loss is identified, the exposure is compared to the estimated value of the security and an appropriate provision established. Interest revenue is not accrued for accounting purposes on loans where a write-off is anticipated.

### c) DEPRECIATION

Depreciation is calculated using the straight-line method of depreciation at rates varying from 2 % to 33 1/3 % on all depreciable properties except the Research Park property in Saskatoon. Depreciation on the Research Park property is provided under the sinking fund method. Under this method depreciation is charged to income in amounts which increase annually consisting of fixed annual sums together with interest compounded at the rate of 5% per annum so as to fully depreciate the property over its estimated useful life. The property consists of buildings with an estimated useful life of 50 years and sites and improvements with an estimated useful life of 33 years.

### d) PROPERTY UNDER DEVELOPMENT

Property under development is carried at the lower of cost and net realizable value.

The Corporation capitalizes the following in arriving at the cost of property under development:

- Land acquisition costs
- Direct development costs
- Administration costs allocated
- Interest

Estimated total development costs are taken into consideration in calculating gains or losses on sale of parcels of land forming part of industrial development. Gains or losses from sales are recognized at the date nonconditional offers to purchase are approved by the Corporation and appropriate consideration has been received.

**e) SHARE INVESTMENTS**

The Corporation has acquired shares in both public and private companies which are carried at the lower-of-cost-and-net realizable value. In the case where there is a parent-subsidiary relationship, the subsidiary is not consolidated with the accounts of the Corporation as a formal plan exists to dispose of the investment. Dividends are recorded as income when received.

**2. Status of the Corporation**

The Corporation was incorporated in 1963 pursuant to The Industrial Development Act. The financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

**3. Loans**

|                                                                                | 1985             | 1984             |
|--------------------------------------------------------------------------------|------------------|------------------|
|                                                                                | (In thousands)   |                  |
| Loan principal receivable .....                                                | \$100,307        | \$115,560        |
| Interest accrued and receivable .....                                          | 3,807            | 10,841           |
| Loan costs receivable .....                                                    | 688              | 769              |
|                                                                                | 104,802          | 127,170          |
| Agreements for sale .....                                                      | 1,735            | 1,435            |
| Lease options less unearned<br>income of \$792,000<br>(1984 - \$888,000) ..... | 814              | 849              |
| <b>TOTAL LOANS</b>                                                             | <b>107,351</b>   | <b>129,454</b>   |
| Less accumulated provision for<br>doubtful accounts .....                      | 10,314           | 25,777           |
| <b>Net Loans</b>                                                               | <b>\$ 97,037</b> | <b>\$103,677</b> |

Included in the loans balance is \$4,896,000 (1984 - \$15,499,000) from Westank Industries Ltd. — a subsidiary. During 1985, the Corporation accrued interest on these loans totalling \$930,000 (1984 - \$2,327,000), received \$542,000 (1984 - \$1,079,000) in payments and disbursed \$9,000 (1984 - \$1,350,000). \$11,000,000 was converted to shares.

**4. Share Investments**

|                                      | 1985            | 1984            |
|--------------------------------------|-----------------|-----------------|
|                                      | (In thousands)  |                 |
| <b>At Cost</b>                       |                 |                 |
| Shares in subsidiary companies ..... | \$ 11,280       | \$ 280          |
| Shares in listed companies .....     | 1,047           | 1,000           |
| Shares in unlisted companies .....   | 1,380           | 3,413           |
|                                      | 13,707          | 4,693           |
| Accumulated provision for losses     | 9,230           | 1,050           |
|                                      | <b>\$ 4,477</b> | <b>\$ 3,643</b> |

During 1985 \$11,000,000 in loans receivable from Westank Industries Ltd. (Westank) were converted to 4,000,000 common shares and 7,000,000 preferred shares. This conversion resulted in SEDCO increasing its ownership of Westank to 99.9% from 88.2%.

#### 5. Property Holdings

|                                                                                                  | 1985            | 1984            |
|--------------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                                  | (In thousands)  |                 |
| Property under development for industrial purposes (lower of cost or net realizable value) ..... | \$26,059        | \$23,064        |
| Other land, buildings, improvements and equipment (at cost):                                     |                 |                 |
| Rental properties .....                                                                          | 24,210          | 26,813          |
| Rental properties under construction .....                                                       | 415             | —               |
| Office furniture & equipment .....                                                               | 607             | 531             |
|                                                                                                  | 25,232          | 27,344          |
| <b>TOTAL PROPERTY HOLDINGS</b>                                                                   | <b>51,291</b>   | <b>50,408</b>   |
| Less accumulated depreciation                                                                    | 3,614           | 3,470           |
|                                                                                                  | <b>\$47,677</b> | <b>\$46,938</b> |

Depreciation for the year amounted to \$612,000 (1984-\$591,000). The average depreciation rate for assets was 2.9% (1984-2.9%).

#### 6. Notes Payable and Long-Term Debt

|                                                     |         | 1985            | 1984             |
|-----------------------------------------------------|---------|-----------------|------------------|
|                                                     |         | (in thousands)  |                  |
| <b>NOTES PAYABLE</b>                                |         |                 |                  |
| Province of Saskatchewan<br>(1984 - 10.0%) due      |         |                 |                  |
| March 31, 1986 .....                                | 9.35%   | \$45,000        | \$ 2,000         |
| <b>LONG-TERM DEBT</b>                               |         |                 |                  |
| Province of Saskatchewan*                           |         |                 |                  |
| June 1, 1991 .....                                  | 7.20%   | \$ 5,000        | \$ 5,000         |
| June 3, 1994 .....                                  | 8.46%   | 7,383           | 7,383            |
| October 1, 1995 .....                               | 9.34%   | 3,857           | 3,857            |
| June 1, 1998 .....                                  | 9.41%   | 8,407           | 8,407            |
| — — .....                                           | 8.50%   | —               | 23,500           |
|                                                     |         | 24,647          | 48,147           |
| Crown Investments<br>Corporation of<br>Saskatchewan |         |                 |                  |
| August 18, 1987 .....                               | 16.625% | \$15,000        | \$15,000         |
| December 29, 1987 .....                             | 11.75%  | 10,000          | 10,000           |
| December 29, 1987 .....                             | 11.75%  | 10,000          | 10,000           |
| June 17, 1987 .....                                 | 9.89%   | 15,000          | —                |
| December 21, 1988 .....                             | 10.75%  | 15,000          | 15,000           |
| — — .....                                           | 11.50%  | —               | 20,000           |
| — — .....                                           | 15.75%  | —               | 16,000           |
|                                                     |         | 65,000          | 86,000           |
| <b>TOTAL LONG-TERM DEBT</b>                         |         | <b>\$89,647</b> | <b>\$134,147</b> |

\* Debt of \$24,647,000 (1984 - \$24,647,000) with an original term of 20 years, is subject to redemption on 6 months' notice.

**7. Equity Advances**

These advances are interest-free and are payable at the discretion of the Crown Investments Corporation of Saskatchewan.

**8. Contributed Surplus**

This represents surplus Crown properties having industrial potential that have been received for nominal amounts.

**9. Revenue from Properties**

This includes gains of \$435,000 on the sale of properties (1984 loss of \$76,000).

**10. Contingent Liabilities**

As at December 31, 1985, the Corporation was contingently liable under loan guarantees in the amount of \$2,423,000.

**11. Commitments**

- a) The total amount not yet disbursed on loans approved is \$28,500,000.
- b) The Corporation has approved guarantees which were in force but not used at December 31, 1985 amounting to \$113,500.
- c) The costs to complete properties approved for development approximate \$2,250,000.

**12. Related Party Transactions**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan controlled departments, agencies and corporations with which the Corporation is related. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

Other amounts owing to related parties and their terms of settlements are described separately in the financial statements and the notes thereto.

**13. Comparative Figures**

The 1984 comparative figures have been reclassified to conform with changes made during the current period in classifying items in the financial statements.

**Head Office**

1106 Winnipeg Street  
Regina, Saskatchewan  
S4P 3W2

Telephone: (306) 787-7200

**Saskatoon Branch Office**

1600 SEDCO Centre  
15 Innovation Boulevard  
Innovation Place  
Saskatoon, Saskatchewan  
S7N 2X8

Telephone: (306) 933-6296

For additional copies of this  
annual report, or for further  
information about SEDCO  
programs in all areas of  
operation, kindly contact:

**Communications**

1106 Winnipeg Street  
P.O. Box 5024  
Regina, Saskatchewan  
S4P 3W2

Telephone: (306) 787-7233